

**UNITED STATES BANKRUPTCY COURT
DISTRICT OF DELAWARE**

In Re: W.R. GRACE & CO., et al., Debtors.	§ § § § § §	Chapter 11 Jointly Administered Case No. 01-01139 (JKF)
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**FEE AUDITOR'S FINAL REPORT REGARDING
FOURTH INTERIM FEE APPLICATION OF
L. TERSIGNI CONSULTING P.C.**

This is the final report of Warren H. Smith & Associates, P.C. ("Smith"), acting in its capacity as fee auditor in the above-captioned bankruptcy proceedings, regarding the Fourth Interim Fee Application of L. Tersigni Consulting P.C. (the "Application").

BACKGROUND

1. L. Tersigni Consulting P.C. ("Tersigni") was retained as accountant and financial advisor for the official committee of asbestos personal injury claimants. In the Application, Tersigni seeks approval of fees totaling \$54,340.50¹ and costs totaling \$1,239.44 for its services from January 1, 2002, through March 31, 2002.

2. In conducting this audit and reaching the conclusions and recommendations contained herein, we reviewed in detail the Application in its entirety, including each of the time entries included in the exhibits to the Application, for compliance with 11 U.S.C. § 330, Local Rule 2016-2 of the Local Rules of the United States Bankruptcy Court for the District of Delaware, Amended

¹ We note that while the Application states that Tersigni is seeking \$54,340.50 in fees, and the three monthly invoices for the months covered by the Application total \$54,340.50 in fees, the Notice of Application states that Tersigni is seeking \$65,340.50 in fees, but Dottie Collins at Tersigni's office confirms that the amount in the Notice of Application is a typographical error.

Effective February 1, 2001, and the United States Trustee Guidelines for Reviewing Applications for Compensation and Reimbursement of Expenses Filed Under 11 U.S.C. 330, Issued January 30, 1996, (the "Guidelines"), as well as for consistency with precedent established in the United States Bankruptcy Court for the District of Delaware, the United States District Court for the District of Delaware, and the Third Circuit Court of Appeals. We sent Tersigni an initial report based on this review, and received a response from Tersigni.

DISCUSSION

Specific Time and Expense Entries

3. In our initial report we noted that on 02/06/02 L. Tersigni and M. Berkin attended a meeting with counsel for a total of 1.0 hours and \$425.00.

02/06/02	L. Tersigni	Meeting with counsel to review engagement status and related financial issues.	.50
02/06/02	M. Berkin	Meeting with counsel to review engagement status and related financial issues.	.50

According to Paragraph II.D.5. of the Guidelines, "[i]f more than one professional from the applicant firm attends a hearing or conference, the applicant should explain the need for multiple attendees." Thus in our initial report we asked Tersigni to please explain the necessity for both professionals' participation in this meeting. Tersigni responded:

The engagement status review meeting is requested by counsel, usually on a monthly basis. Various cases are discussed during these meetings requiring multiple attendees in certain cases. L. Tersigni Consulting has overall accountant and financial advisor responsibilities for all service rendered in the W.R.Grace matter and is accordingly responsible for reporting on the overall status of our retention. Michael Berkin has responsibility for specific transactions and motions with the W.R. Grace matter and his work is performed at the request and under the direction of Larry Tersigni. During this specific meeting Michael presented a review of the Monthly Operating Report and summary memorandum he had prepared. Both Larry and Michael presented L.Tersigni Consulting's memorandum of findings and conclusions regarding the planned W.R.Grace acquisition 'Project Blueberry'.

While we believe that we understand the explanation offered by Tersigni, we believe that this

explanation merely establishes that the use of two professionals in this meeting was convenient, not reasonable and necessary, and thus we recommend a reduction of ½ the fees charged for this meeting, for a reduction of \$212.50 in fees.

4. In our initial report we noted that between 03/14/02 and 03/29/02 Peter Rubsam spent a total of 34.00 hours for a total of \$10,880.00 working on a valuation, presumably of one or more of the Debtors.

3/14/02	Research competition for valuation	51	4.00	\$320.00	\$1,280.00
3/14/02	Preparation of comparable company model for valuation	51	2.00	\$320.00	\$640.00
3/15/02	Update comparable company model with current date	51	4.00	\$320.00	\$1,280.00
3/15/02	Revise and review comparable company model	51	3.00	\$320.00	\$960.00
3/20/02	Updated comparable company model	51	2.00	\$320.00	\$640.00
3/21/02	Review EBIT calculation; research comparable company data	51	3.00	\$320.00	\$960.00
3/25/02	Research 10 Q and 10K on comparable companies	51	4.00	\$320.00	\$1,280.00
3/25/02	Updated valuation with additional information from 10Q and 10K	51	3.00	\$320.00	\$960.00
3/26/02	Review 10K information on comparable companies & preparation DCF model	51	3.00	\$320.00	\$960.00
3/27/02	Updated valuation with additional information from 10Q and 10K	51	3.00	\$320.00	\$960.00
3/28/02	Updated valuation with additional information from 10Q and 10K research and preparation of cost of capital model	51	3.00	\$320.00	\$960.00

The Guidelines Rule, I.E. states that “[i]n evaluating fees for professional services, it is relevant to consider ... whether services were performed within a reasonable time commensurate with the complexity, importance, and nature of the problem, issue, or task addressed”. In our initial report we stated that the cited time entries are too vague to convey the substance of the “valuation” or whether the amount of time spent on it was reasonable, and thus we requested further details regarding the nature and complexity of this matter. Tersigni’s response is set forth in Exhibit “A”. We believe that this information satisfies our concern, and thus we have no objection to these fees.

5. In our initial report we noted that on 03/12/02 M. Berkin and P. Rubsam attended a meeting with the Debtor. The total time spent including non working travel time was 15.00 hours for fees of \$5,587.50 and expenses of \$1,026.80. (See Exhibit B). According to Paragraph II.D.5. of the Guidelines, “[i]f more than one professional from the applicant firm attends a hearing or conference,

the applicant should explain the need for multiple attendees.” Thus we asked Tersigni to please explain the necessity for both professionals’ participation in this meeting. Tersigni responded:

Michael Berkin's involvement pertained to his expertise regarding the 2002 Compensation Program motion including the Long-Term Incentive Plan, preliminary reviews of Pension Plan with respect to FASB 87 and comparative analysis of 2001 Operating Results and the 2002 Operating Plan. Peter Rubsam's involvement pertained to his expertise in maintaining and updating W.R.Grace Enterprise Valuation, Debt Capacity Analysis and NOL Valuation. The work that was performed by Michael Berkin and Peter Rubsam was not duplicative and the time expended was commensurate with the task performed.


We believe that this information satisfies our concern, as it establishes that the two professionals had different areas of expertise, and thus we have no objection to these fees or expenses.

CONCLUSION

6. Thus, we recommend approval of fees totaling \$54,128.00 (\$54,340.50 minus \$212.50) and costs totaling \$1,239.44 for Tersigni’s services from January 1, 2002, through March 31, 2002.

Respectfully submitted,

WARREN H. SMITH & ASSOCIATES, P.C.

By: 
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FEE AUDITOR

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing document has been served First Class United States mail to the attached service list on this 30th day of July, 2002.



Warren H. Smith

Exhibit A

3/14/02	2.75 hours	Research Hoovers, Multex and Yahoo websites for WR Grace competitors
3/14/02	1.25 hours	Reviewed SIC codes to select matching categories for competitive companies to be used in 'guideline comparable company analysis'.
3/14/02	1.50 hours	Reviewed and extracted data from financial statements acquired from Multex for approximately 10 companies to be used in the 'guideline comparable company analysis'.
3/14/02	0.50 hours	Prepared 'comparable company model' for valuation analysis based on data accumulated
3/15/02	2.50 hours	Updated 'comparable company model' with last twelve months of revenue, EBIT and EBITDA data.
3/15/02	0.50 hours	Updated 'comparable company model' with W.R.Grace's last twelve months of revenue, EBIT and EBITDA data
3/15/02	1.00 hours	Calculated the equity market capitalization for each company based on the average trading stock price over the last month
3/15/02	0.50 hours	Revised and edited the 'comparable company model'.
3/15/02	2.00 hours	Determined cash and the correct amount of external debt to calculate adjusted market value of capital.
3/15/02	0.50 hours	Reviewed debt structure of each company
3/20/02	0.75 hours	Updated 'comparable company model' with adjusted market value of capital calculations
3/20/02	1.25 hours	Calculate the market multiple for revenue, EBITDA and EBIT. Determine the appropriate multiple to be used when valuing W.R.Grace.
3/21/02	1.00 hours	Review the EBIT calculation and eliminate 'non' recurring charges from calculations.
3/21/02	2.00 hours	Reviewed the 2001 10K for Dupont and HB Fuller
3/25/02	1.50 hours	Researched/reviewed 2001 3rd quarter 10Q & 2001 10K of 'Cabot' looking for descriptions of unusual expenses and determining if the 'valuation model' needs to be updated for elimination of 'non' recurring expenses
3/25/02	2.50 hours	Researched/reviewed 2001 3rd quarter 10Q & 2001 10K of 'Engelhardt' & 'Great Lakes Chemical' looking for descriptions of unusual expenses and determining if the 'valuation model' needs to be updated for elimination of 'non' recurring expenses
3/25/02	1.00 hours	Researched/reviewed 2001 3rd quarter 10Q & 2001 10K of 'Albemarle' looking for descriptions of unusual expenses and determining if the 'valuation model' needs to be updated for elimination of 'non' recurring expenses
3/25/02	2.00 hours	Researched/reviewed 2001 3rd quarter 10Q & 2001 10K of 'International Flavors' looking for descriptions of unusual expenses and determining if the 'valuation model' needs to be updated for elimination of 'non' recurring expenses
3/26/02	1.25 hours	Researched/reviewed 2001 3rd quarter 10Q & 2001 10K of 'Rohm and Hass' looking for descriptions of unusual expenses and determining if the 'valuation model' needs to be updated for elimination of 'non' recurring expenses
3/26/02	1.25 hours	Researched/reviewed 2001 3rd quarter 10Q & 2001 10K of 'PPG' looking for descriptions of unusual expenses and determining if the 'valuation model' needs to be updated for elimination of 'non' recurring expenses
3/26/02	0.50 hours	Outline the Discounted Cash Flow model and gathered W.R.Grace data for input
3/27/02	1.50 hours	Researched/reviewed 2001 3rd quarter 10Q & 2001 10K of 'Dow Chemical' looking for descriptions of unusual expenses and determining if the 'valuation model' needs to be updated for elimination of 'non' recurring expenses
3/27/02	1.50 hours	Researched/reviewed 2001 3rd quarter 10Q & 2001 10K of 'Eastman Kodak' looking for descriptions of unusual expenses and determining if the 'valuation model' needs to be updated for elimination of 'non' recurring expenses
3/28/02	2.00 hours	Researched/reviewed 2001 1st, 2nd, 3rd quarter 10Q & 2001 10K of 'W.R.Grace' looking for descriptions of unusual expenses and determining if the 'valuation model'

needs to be updated for elimination of 'non' recurring expenses
3/28/02 1.00 hours Began cost of capital calculations for W.R.Grace, gathered beta information from
Multex and Bloomberg for the guideline companies and determined the average beta to
apply to WR Grace to be utilized in cost of capital calculation.

Exhibit BFees:**Michael Berkin**

3/12/02	Attend 2002 Operating Plan Meeting with debtor in Columbia, MD.	12	4.50	\$425.00	\$1,912.50
3/12/02	Half travel time -round trip- Stamford, CT & Columbia, MD	35	3.00	\$425.00	\$1,275.00

Peter Rubsam

3/12/02	Half travel time -round trip- Stamford, CT & Columbia, MD	35	3.00	\$320.00	\$960.00
3/12/02	Attend 2002 Operating Plan Meeting with debtor in Columbia, MD.	12	4.50	\$320.00	\$1,440.00

Expenses:

Transportation: Train (Round Trip) Peter Rubsam 3/11-12/02 Stamford, CT./Baltimore, MD. (includes parking at Stamford Station \$14.00) \$290.00

Transportation: Train (Round Trip) Mike Berkin 3/11-12/02 Stamford, CT./Baltimore, MD. (includes parking at Stamford Station \$16.00) \$292.00

Transportation: 3/11/02 Baltimore Train Station to Sheraton Hotel in Columbia, MD. \$32.00

Transportation: 3/12/02 AM Sheraton Hotel in Columbia, MD. To WR Grace offices \$20.00

Transportation: 3/12/02 PM WR Grace offices to BaltimoreMD. Train station \$31.00

Hotel: one night-single room 3/11/02 Peter Rubsam \$130.90

Hotel: one night-single room 3/11/02 Mike Berkin \$130.90

Meals: Per Diem-Peter Rubsam 3/12/02 (\$50 per 24 hours) \$50.00

Meals: Per Diem-Mike Berkin 3/12/02 (\$50 per 24 hours) \$50.00

SERVICE LIST

Notice Parties

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